

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 OMB-01 NSC-07 SS-20 STR-08 CEA-02 DRC-01

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P 131030Z MAY 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 3021

USMISSION OECD PARIS PRIORITY

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OECD PARIS FOR MACDONALD

E.O. 11652: N/A

TAGS: EAID, EFIN, BG

SUBJ: PRESENT STATUS DEBT NEGOTIATIONS

BEGIN SUMMARY: WE EXPECT LETTER FROM PC SHORTLY ACCEPTING IN PRINCIPLE THE LIABILITY FOR 25 OF THE 34 LOANS, OR 86 PERCENT OF THE TOTAL USG PROJECT LIABILITY. BDG POSITION IS FLEXIBLE AND MISSION WILL BE URGING ACCEPTANCE OF REMAINING DEBT. REQUEST CONCURRENCE ON MISSION POSITIONS STATED HEREIN. END SUMMARY.

1. LETTERS ARE EXPECTED THIS WEEK FROM PC TO ALL DONORS STATING THEIR POSITION WITH RESPECT TO THEIR ACCEPTANCE OF DEBT LIABILITIES. FORTHCOMING LETTER FROM PC TO US WILL STATE ACCEPTANCE IN PRINCIPLE OF LIABILITY FOR 25 OF 34 LOANS, OR 86 PERCENT OF TOTAL. BDG ACCEPTANCE IN PRINCIPLE OF DONOR LOANS WILL BE BASED UPON PC REVIEW OF DOCUMENTATION IN CONTEXT OF SEPTEMBER 15 AIDE MEMOIRE. IT IS AHMED'S (ERD, PC) JUDGEMENT (PLEASE PROTECT AT ALL TIMES) THAT THIS IS NOT FINAL POSITION AND THAT JUDGEMENTS IN CONTEXT OF BROADER BDG INTEREST CAN BE MADE BY DEBT COMMITTEE, COMPOSED OF TAJUDDIN AHMED, KAMAL HUSSAIN, AND DEPUTY CHAIRMAN, AND ABOVE
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IT, THE CABINET.

2. LOANS NOT REPEAT NOT ACCEPTED WILL INCLUDE: FEASIBILITY STUDIES AND CONSULTANT SERVICES, 062, 124, 068, 136 AND 058; SAWMILL, 052; SEED POTATO, 139; CHITTAGONG PORT, 094; AND EXIM 2792. THESE STUDIES AND SERVICES AMOUNT TO \$8.5 MILLION OR 10 PERCENT OF TOTAL. AHMED HAS STATED DOOR IS CLOSED ON THESE LOANS IN COMING LETTER BUT NOT FOR GOOD, IF MATTER WILL BE RAISED TO HIGHER LEVEL. PC WILL ACCEPT INCLUSION OF LOANS 149 AND 1984(A) IF WE FEEL IT IS IMP CTANT TO DO SO.

3. AHMED HAS IMPLIED THAT ABSENCE OF REFERENCE TO DAMAGED PROJECTS IN APRIL 5 AND 30 LETTERS IS OF SIGNIFICANCE; BDG WILL NOT PRESS POINT WITH US.

4. MISSION WILL BE USING FOLLOWING ARGUMENTS RE PARA 3 LOANS IN CONTINUING CONVERSATIONS WITH AHMED:

A) WE EXPECT CHITTAGONG PORT (094) TO BE ACCEPTED. AHMED RECOGNIZES THIS AS ASSET BUT IS CAUGHT IN RESTRICTIVE SEPTEMBER 15 DEFINITION.
B) AHMED RECOGNIZES STUDIES AND SERVICES AS ASSETS AND IS ARGUING CASE. ACCORDING TO AHMED, BDG MAY ACCEPT THESE ONLY IF PRESSED AND MATTER IS RAISED TO DEBT COMMITTEE AND POSSIBLY TO CABINET LEVEL, WHICH CAN BE DONE IN SHORT ORDER. FYI: WE RECOMMEND THAT WE DO PRESS BDG ON THESE LOANS; SEE FOLLOWING COMMENTS. END FYI.
C) WITH RESPECT TO SAWMILL (052) AND SEED POTATO (139), WE HAVE EXPRESSED OUR UNDERSTANDING OF BDG'S PROBLEMS WITH THESE TWO. FYI: WE WOULD RECOMMEND, IF BDG STANDS FIRM ON UNACCEPTABILITY OF THESE TWO LOANS, THAT WE EVENTUALLY ACQUIESCE IN INTEREST OF REACHING AGREEMENT. END FYI.
D) BDG EXCLUSION OF EXIM 2792 IS MATTER OF DEFINITION AS SUBLOAN ACTIVITY IS NOT COMPLETE.
AHMED HAS MENTIONED THAT NARROW DEFINITION AND NEED TO TREAT ALL DONORS EQUALLY PREVENT ACCEPTANCE IN FORTHCOMING LETTER OF INCOMPLETED PROJECTS (094 AND 2792) AND STUDIES AND SERVICES.

5. MISSION HAS OFFERED SEVERAL ARGUMENTS TO AHMED AS REASON FOR BDG ACCEPTANCE OF ALL LOANS. AHMED SENSES OUR POSITION AND MAY BE ARGUING INTERNALLY THAT ALTHOUGH: (A) GOP REMAINS LIABLE FOR PARA 3 LOANS; AND (B) USG IS NOT LIKELY TO APPLY SEVERE REPEAT SEVERE SANCTIONS IF THE BDG DOES NOT ACCEPT 100 PERCENT BY 30 JUNE
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(FOLLOWING LINE PRESENTED BY NURUL ISLAM AS PER REFTTEL, PARA 3.C.),
THE PRESENT VALUE OF PARA 3 LOANS IS LESS THAN \$2 MILLION, AND THAT IS MAY WELL BE IN LONG-TERM INTEREST OF FUTURE BDG/GOP NEGOTIATIONS FOR THE BDG TO ACCEPT ALL THESE LOANS. WE WILL PRESS HARD ALONG THIS AND PARA 4 LINES OF REASONING. WITH RESPECT TO OUR OWN STUDIES AND SERVICES, THOSE OF THE CANADIANS AND OTHERS, WE SUGGEST LONGER TERM BDG SELF-INTEREST BE EMPHASIZED IN CONSORTIUM MEETING.

6. SEPTTEL FOLLOWS ON STATUS OF OTHER DONOR NEGOTIATIONS BASED ON
CONVERSATIONS WITH AHMED AND IBRD ACTING REP.

7. RE PARA 4 AND 5, PLEASE ADVISE PRIORITY.
DECONTROL MAY 13, 1975.
BOSTER

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30 JUN 2005

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TAGS: EAID, EFIN, BG, XMB
To: STATE OECD PARIS
Type: TE
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